

01. BEHAVIOURAL PUBLIC SECTOR ACCOUNTING RESEARCH IN INDONESIA: A LITERATURE REVIEW

By Indrawati Yuhertiana

BEHAVIOURAL PUBLIC SECTOR ACCOUNTING RESEARCH IN INDONESIA: A LITERATURE REVIEW

Indrawati Yuhertiana

Accounting Department

University of Pembangunan Nasional Veteran, Jawa Timur, Indonesia

ABSTRACT

The absence of a clear mapping of behavioural public sector accounting significantly motivates the conduct of this study. The role of behavioural accounting in accounting knowledge remains debatable despite the existence of widespread behavioural problems related to accounting and finance. Accordingly, a number of accounting articles published by the Indonesia National Symposium from 1999-2013 were reviewed to obtain an overview of the behavioural research development in the realm of accounting and financial administration. This study describes the behavioural phenomenon in government accounting in all stages of the state financial management cycle from budgeting planning to ratification, budget implementation, and accountability. The science of public sector accounting in Indonesia has developed along with the reform era, especially in terms of public sector reform since 2000.

Keywords: Behavioural accounting, government, budgeting cycle

Introduction

Behavioural accounting in the public sector has recently become a new topic of interest for both practitioners and researchers. However, despite the debate on whether behavioural accounting is a science, behavioural accounting research itself has long been in existence. The work of Argyris (1952) on the influence of people's behaviours on budgets and participative budgeting has been a topic of previous research. Behavioural accounting was originally developed only in the context of business entities despite its relevance to the non-profit sector, especially the government. Many behaviour-focused studies have been conducted to highlight human behaviours in government entities worldwide (Williams, Macintosh, Moore 1990). Model (2009) reviewed the evolution of institutional research on performance measurement and management in the public sector accounting literature. Frank (2008) distinguished between quantitative performance (efficiency and quantities produced) and qualitative performance (accuracy, quality, innovation, and employee morale).

The development of public sector accounting has accelerated in recent years. Public sector reform is noted to have triggered this change with two crucial factors known to influence the development of public sector accounting. First, in terms of science, public sector accounting developments lagged behind those of the commercial sector. Second, in terms of practice, the rise of dysfunctional behaviour and moral hazards in the use of state finances further strengthened the need for a comprehensive model to explain the behaviours of people involved in accounting and finance in the public sector, especially in the government.

The call for global public reform influenced Indonesia to begin its own reform. According to Harun, Peurseem, and Eggleton (2011), the resignation of President Suharto in 1998 prompted the Indonesian government to launch public sector financial reform measures as part of broader political and economic reform efforts aimed to improve transparency and accountability. In relation to public sector accounting reform, a set of new accrual-based accounting standards was introduced to enable Indonesian public sector agencies to become more effective and efficient in the provision of services to the public.

Change in the accounting system can significantly influence people's behaviour as shown in the accounting behaviour baseline. Harun, Peurseem, and Eggleton (2011) found that users' existing habits in an accounting system also shape the process of internalizing the accounting system through the actions and behaviours of these users. For example, in developing nations, the emergence of illegal practices (corruption) shows that existing habits based on informality affect how economic and social mechanisms work (Mimba, Van-Helden and Tillema, 2007). This opinion is similar to that put forth by Hoque and Hopper (1997) that informality is more important in practice, while laws and rules are frequently breached to serve the interests of people involved in economic and political transactions in developing countries.

In fact, varying accounting behaviours is common and is a concern in the context of the public sector for both government and other non-profit entities. Attempts to explain the phenomenon of behavioural accounting in the government require additional research at each stage in the budgeting process. The planning stages, which involve the psychological aspects of the locus of control, and participatory budgeting, are often associated with budgetary slack. The ratification stage, which has rarely been examined by researchers, involves the public administration of political or legislative interests. The implementation phase of the budget and accounting-related behaviours highlights issues on the readiness of human resources contributed by individuals with poor understanding of accounting and reporting techniques. According to Broadbent (1999), conferences highlight the need to understand different cultural contexts. A study by William, Macintosh and Moore (1990) also suggests that the characteristics of a manager's budgetary behaviour are similar across the public and private sectors.

Knowledge of the various psychological and sociological aspects to be used as basis for government decision making can enhance one's capacity building at the individual or organizational level. This knowledge will help researchers understand how Indonesia's government implements good governance. The current study aims to explain various phenomena, such as the pressures encountered by people working in finance, accounting, budgeting, and the government, and whether they are internal accountants or external accountants (called BPK in Indonesia). From a behavioural viewpoint, the study also examines the ethics violations committed in public sector financial accounting.

Creating a clear development model for the behavioural phenomenon of accounting practices in public sector organizations can help to resolve dysfunctional behaviours under the fields of psychology and sociology. Studies have examined behavioural problems in the government budgeting cycle from planning to ratification, implementation, reporting, and auditing. As part of sociology studies, organizational culture has been proved to be a determining variable of public reform. The World Bank (2008) recognized that enhancing technology is inadequate by itself and that the most crucial and difficult task is changing the behaviour and organizational culture. For example, the implementation of an integrated financial management system in Ghana stalled until attention was given to the changing behavioural patterns and incentives. Three factors contributing to better performance have been identified as follows: realization of what is feasible, attention to behaviour and organizational culture and incentives as the underlying drivers of reform, and primary focus on the basic issues.

The literature review aims to clarify the arising confusion when a study on behaviour in public sector organizations includes a discussion on behavioural accounting or public sector accounting. In other words, the study seeks to clarify whether behavioural accounting could become a new science in the realm of accounting. Accordingly, the initial stage of this study explores the behavioural phenomenon observed in each phase of budgeting, which is consequently based on various factors found in the psychological and sociological models of behavioural accounting in the government's budgeting process. The study strives to describe the behavioural phenomenon in government accounting in all stages of the state financial management cycle from budgeting to planning, ratification, budget implementation, and accountability.

Theoretical Development

Accounting Behaviour Research Path

The possibility of including behavioural accounting as a research area within the field of accounting remains inconclusive (Kusuma, 2003). Is behavioural accounting truly part of the science of accounting, which is further regarded as a subset of economics? Economics and accounting are recognized as

sciences distinct from normative social sciences, such as psychology or sociology. Researchers argue that behavioural accounting is a science. Siegel and Marconi (1989) found that behavioural accounting follows financial accounting and management accounting. Conversely, Kusuma (2003) did not consider accounting a science but considered behavioural accounting an approach that applies behavioural aspects of accounting in financial accounting, management accounting, and other accounting areas.

Argyris initiated behavioural accounting research in 1952 with the article entitled, "The Impact of Budgets on People." He observed that work done on tight budgets demotivate employees and suggested that employees be included in budget-organizing processes. This observation gave birth to participative budgeting, which remains a topic of study for many researchers. Khomsiah (2001) and Kusuma (2003) assessed the development of behaviours in accounting research. Regardless of the abovementioned debate, interest in this field has steadily increased. This trend proves that behavioural aspects dominate the problems of accounting. Understandably, the growth and progress of world economies have consequently increased the demand for various accounting functions.

In the past five years, a significantly rapid development of behavioural accounting has occurred in Indonesia that differs from the country's condition in 2001. According to Khomsiah (2001), few studies on behavioural accounting were conducted at the time of his study. Behavioural accounting courses were rarely offered at the undergraduate level, and accounting research was only conducted by postgraduate students. The increase in accounting research can be evidenced by the increasing number of publications on these topics in scientific forums, such as the National Symposium on Accounting and in accounting journals such as the *Journal of Accounting Research Indonesia*.

The ongoing debate on behavioural accounting as a new science does not prevent the emergence of new research in the field of behavioural accounting. Some variables that frequently appear in behavioural accounting research, such as participation in budget making, understanding of accounting, individual personality factors, social pressures, and culture, are relevant to other disciplines, namely, psychology and sociology (Siegel and Marconi, 1989).

Topics in behavioural accounting research can be grouped into behavioural aspects related to financial control, budgeting, responsibility accounting, performance evaluation, accounting information systems, human resources accounting, social accounting, and accounting principals (employees of the department of finance, both external and internal auditors).

Bimberg (2001) contended that behavioural accounting research in the 21st century has become more attractive to many researchers with the development of management control as a discipline and the emphasis on management accounting courses ⁵ service courses. Both of these factors have triggered the developments in public sector behavioural accounting in the context of the demands of society as the government realizes the value of good governance to achieve public welfare. The complexities of the issues in the public sector are also discussed. According to Cheng (1994), as with other public policy decisions, the processes that determine accounting and financial reporting choice include individual behaviour and group interaction, which are constrained by political and bureaucratic structures within a broad socio-economic and political party context.

Government Budget Process in Indonesia

¹ The budget process or cycle consists of a set of sequential, inter-related budget activities recurring within a fiscal year. The Asian Development Bank (ADB, 2006) divided annual budget cycles into the following four overlapping stages:

- ¹⁰ 1. Preparation (planning and drafting)
2. Authorization (deliberation and enactment)
3. Execution (implementation, monitoring, and control)
4. Accountability (audit, review, report and assess)

¹ Budget formulation spans the first two of the four stages. It typically begins with planning and preparation, and subsequently concludes with the formal legislative enactment of the budget (usually through Parliament). The budget formulation process usually starts at the executive branch of the

1 government, where planning and drafting are led by a committee represented by the ministries or the departments of finance, economics, or planning (and related executive entities). After the drafting and approval from the executive branch, budget is then passed on to the legislative branch. The legislative budget committee (or its equivalent) handles the consideration and ultimate passage of the budget through Parliament.

The decentralization policy in Indonesia has caused recent changes 1 the local government budget system. Revised regulations governing local government systems, including the procedure for electing heads of regions, have altered the arrangement, patterns of relations, and authorities of the various players involved in planning and budgeting. With the enforcement of the regional autonomy policy, through the establishment of Law No. 22 of 1999 on the local government and Law No. 25 of 1999 on the financial balance between the central and regional governments, Indonesia's budget system has become less 1 centralized and more performance oriented. These laws now provide greater opportunities for transparency and public participation, as well as new involvement opportunities for civil society in the budget process. Currently, at least four laws containing article 1 regulating the local government budgeting system have been established: (1) Law No. 25 of 2004 on the National Development Planning System, which stipulates the process flow and products of local development planning; (2) Law No. 17 of 2003 on State Finances; and (3) Law No. 33 of 2004 on 1 Fiscal Decentralization, which—combined with Law No. 17—stipulates among other matters the process for drafting local government budgets; and (4) Law No. 32 of 2004 on Local Government, which aims to consolidate the local government planning system stipulated under Law No. 25 of 2004 and the local government budgeting system stipulated under Law No. 17 of 2003 and Law No. 33 of 2004.

Research Method

The current study used a literature review as archival research was used to trace and document the development of accounting behaviour in the public sector context. Archival research involves reviewing a large number of documents, such as academic publications, government publications, acts and regulations, journals, media news, and other forms of records relevant to the issues under study.

budgeting, and narrative information are strongly needed in governmental financial reports. Compared with the rules of governmental financial reporting in Government Regulation No. 24, 2005 (Government's Standard of Accounting) and the Regulation of the Minister of Domestic Affairs No. 13, 2006, the rules of governmental financial reporting are not completely consistent with user needs. Government Regulation NO 24, 2005 was a milestone in government accounting in Indonesia, as it spurred changes in the recording and reporting phases of accounting data. All public sector stakeholders, namely, the government/bureaucracy itself, the legislative branch, inspectors, supervisors, communities, NGOs, the media, donor agencies, and foreign governments, must understand the government's financial reports that consist of the Budget Realization Report, Balance Sheet, Cash Flow Statement and Notes on Financial Statements.

Conclusion, Implications and Limitations

Our description and discussion above enable us to reach the following conclusion: problems in public sector organizations are generally caused by aspects of human behaviour driven by material or financial motivations. Therefore, future research must observe and find solutions to these problems through the field of behavioural public sector accounting.

The involvement of other various disciplines, such as psychology, sociology, politics, and economics, highlights the complexity of accounting behaviour in the public sector. Therefore, caution is needed when researchers strive to understand the unique characteristics of the public sector, especially researchers whose accounting background is crucial to the application of innovative changes in the business/private sector to the public sector.

The science of public sector accounting in Indonesia has developed extensively since 2000, which coincided with the reform era, particularly the public sector reform. Starting with the Act of Government Accounting Standards, the implementation of computerized accounting information systems and procurement system reform has spurred audit reform. This finding confirms that behavioural phenomenon influences the government's budgeting cycle.

References

- Asian Development Bank. (2006). *A Guidebook on Local Government Budget Analysis and Advocacy in Indonesia*. Jakarta. Asia Foundation - ADB
- Avianti I. (2006). *Keynote Speech, Workshop Reformasi Pengelolaan Keuangan Daerah bagi Legislatif dan Eksekutif*. Surabaya. Hotel Sahid.
- Argyris, C. (1952). *The Impact of Budgets on People*. New York: The Controllershship Foundation.
- Birnberg, J. G. (2000). The Role of Behavioural Research in Management Accounting Education in the 21st Century. *Issues in Accounting Education*, 15(4), 713-728.
- Broadbent, J. (1999). The State of Public Sector Accounting Research: The APIRA Conference and Some Personal Reflections. *Accounting, Auditing & Accountability Journal*, 12(1), 52-58.
- Broadbent, J. & J. Guthrie. (1993). Changes in the Public Sector: A Review of Recent 'Alternatives'. *Accounting Research, Accounting, Auditing & Accountability Journal* 5(2), 3-31.
- Cheng, R.H. (1994). A Politico-Economic Model of Government Accounting Policy Choice. *Research in Governmental and Non-Profit Accounting*, 8, 39-68.
- Frank H.M. Verbeeten (2008). Performance management practices in public sector organizations: Impact on performance¹. *Accounting, Auditing & Accountability Journal*, 21(3), 427-454.
- Harun, H, K V. Peurseem & I. Eggleton. (2011). A Critical Note on the Public Sector Accounting Reform in the Post-Suharto Era of Indonesia. *13th Biennial CIGAR Conference Bridging Public Sector and Non-profit Sector Accounting*. Ghent, Belgium.
- Henrika, C. T Adi. Mardiasmo. (2002). Analisis Pengaruh Strategi Institusi, Budaya Institusi, dan Conflict of Interest terhadap Budgetary Slack. *Jurnal Ekonomi dan Bisnis Indonesia*, 17, 105-113.

- 6 Hoque Z. & Hopper T. (1997). Political and Industrial Relation Turbulence, Competition and Budgeting in the Nationalized Jute Mills of Bangladesh. *Accounting and Business Research*, 27(2), 124-143.
- 17 Hudayati, A. (2002). Perkembangan Penelitian Akuntansi Keperilakuan: Berbagai Teori dan Pendekatan yang Melandasi. *Jurnal Akuntansi dan Auditing Indonesia*, 6(2), 10-24.
- Khomsiyah, K. (2001). Perkembangan Akuntansi Keperilakuan dan Dampaknya pada Penelitian Akuntansi di Indonesia. *Media Riset Akuntansi, Auditing dan Informasi*, 1(1), 35-72.
- 19 Kusuma, I.W. (2003). Topik Penelitian Akuntansi Keperilakuan dalam Jurnal Behavioral Research in Accounting (BRIA). *Jurnal Bisnis dan Akuntansi*, 2003, 147-166.
- Mardiasmo, M. (2001). Budgetary slack resulted from the effect of local government financial dependency on central and provincial government in planning and preparation of local government budget, the case of Indonesia. *Jurnal Riset Akuntansi, Manajemen, Ekonomi* 1, 55-74.
- 7 Modell, S. (2009). Institutional Research on Performance Measurement and Management in the Public Sector Accounting Literature: A Review and Assessment. *Financial Accountability & Management*, 25(3), 277-303.
- 5 Mimba, N.S.H., Van - Helden, G.J. & Tillema, S. (2007). Public sector performance measurement in developing countries: a literature review and research agenda", *Journal of Accounting & Organizational Change*, 3(3), 192-208.
- 18 Pandanwangi C. A., and I. T. Ritonga (2010). Identifikasi Faktor-Faktor Penyebab Terjadinya Keterlambatan Dalam Penyusunan APBD (Studi Kasus Kabupaten Rejang Lebong Tahun Anggaran 2008-2010), *10th Indonesia National Accounting Symposium*. Purwokerto.
- 12 Saleh Z. (2007). Malaysian Governmental Accounting: National Context and User Orientation. *International Review of Business Research Papers*, 3(2), 376-384.
- 26 Siegel, G. & H.R. Marconi. (1989). *Behavioural Accounting*. Cincinnati, OH: South-Western Publishing Co.

- 20
Sopanah A. (2010). Menguak Fenomena Penolakan Pembangunan Dengan Dana Anggaran Pendapatan dan Belanja Daerah (APBD): Sebuah Studi Interpretif, *10th Indonesia National Accounting Symposium*. Purwokerto.
- Ter Boght H.J. & Van Helden G.J. (2011). The role of consultant-researchers in the design and implementation process of a programme budget in a local government organization, *Management Accounting Research*, 22(1), 56-64.
- Williams, J.J., N.B. Macintosh & J.C. Moore (1990). Budget-related Behaviour in Public Sector Organizations: Some Empirical Evidence." *Accounting, Organization and Society*, 15(3), 221-246.
- Widyaningsih A., A. Triantoro & L.A. Wiyantoro (2011). Hubungan Efektivitas Sistem Akuntansi Keuangan Daerah dan Pengendalian Intern dengan Kualitas Akuntabilitas Keuangan: Kualitas Informasi Laporan Keuangan Sebagai Variabel Intervening (Penelitian pada Laporan Realisasi Anggaran di Pemda Kabupaten/Kota Wilayah Propinsi Jawa Barat), *11th Indonesia National Accounting Symposium*. Pontianak.
- 22
Widyantoro A.K. (2010). *Implementasi Performance Based Budgeting: Sebuah Kajian Fenomenologis (Studi Kasus pada Universitas Diponegoro)*, *Thesis, unpublished*, 18 Mei 2010. *Diponegoro University*: Semarang.
- 4
World Bank. Public Sector Reform: What Works and Why? An IEG Evaluation of World Bank Support. Accessed 2008. <http://www.worldbank.org/ieg>.
- 11
Yudi, Eko Ganis Sukoharsono & Didied P. Affandy, (2009), Studi Fenomenologis Terhadap Pelaksanaan Pengendalian Akuntansi Sektor Publik pada Satuan Kerja Pengelola Keuangan Daerah kota Pusako di Provinsi Jambi dalam Pemahaman *Functionalism Structural Parsons*, *9th Indonesia National Accounting Symposium*. Padang.
- 3
Yentifa, A., Yurniwati, (2011). *Kebutuhan Investor dan Kreditor atas Informasi dalam Pelaporan Keuangan Pemerintah Daerah*, *11th Indonesia National Accounting Symposium*. Pontianak.
- Yuhertiana, I. (2004). Kapasitas Individu dalam Dimensi Budaya, Keberadaan Tekanan Sosial dan Keterkaitannya dengan Budgetary Slack, *Wacana*.

01. BEHAVIOURAL PUBLIC SECTOR ACCOUNTING RESEARCH IN INDONESIA: A LITERATURE REVIEW

ORIGINALITY REPORT

27%

SIMILARITY INDEX

PRIMARY SOURCES

1	docslide.us Internet	509 words — 10%
2	penelitian.lppm.upi.edu Internet	79 words — 2%
3	pdeb.fe.ui.ac.id Internet	74 words — 1%
4	siteresources.worldbank.org Internet	70 words — 1%
5	eprints.soton.ac.uk Internet	66 words — 1%
6	waikato.researchgateway.ac.nz Internet	58 words — 1%
7	www.tandfonline.com Internet	35 words — 1%
8	www.smu.edu.sg Internet	32 words — 1%
9	businessperspectives.org Internet	31 words — 1%
10	www.slideshare.net Internet	31 words — 1%

11	Internet	30 words — 1%
12	ejournal.unitomo.ac.id Internet	23 words — < 1%
13	www.journals.uchicago.edu Internet	23 words — < 1%
14	Pilcher, Robyn, David Gilchrist, Harjinder Singh, and Inderpal Singh. "The Interface between Internal and External Audit in the Australian Public Sector : Internal and External Audit in the Public Sector", Australian Accounting Review, 2013. Crossref	23 words — < 1%
15	id.scribd.com Internet	21 words — < 1%
16	issuu.com Internet	21 words — < 1%
17	jurnal.unsyiah.ac.id Internet	20 words — < 1%
18	multiparadigma.lecture.ub.ac.id Internet	19 words — < 1%
19	repository.upi.edu Internet	19 words — < 1%
20	eprints.ums.ac.id Internet	16 words — < 1%
21	economie.fgov.be Internet	16 words — < 1%
22	eprints.undip.ac.id Internet	13 words — < 1%
23	Jan van Helden, Christoph Reichard.	13 words — < 1%

"Commonalities and Differences in Public and Private Sector Performance Management Practices: A Literature Review", Emerald, 2016

Crossref

-
- 24 www.omicsonline.org 13 words — < 1%
Internet
-
- 25 ir.uitm.edu.my 13 words — < 1%
Internet
-
- 26 Fowler, C.J.. "The management accountant's role in quality management: A Queensland perspective", 9 words — < 1%
International Journal of Applied Quality Management, 1999
Crossref
-
- 27 jurnals.com 9 words — < 1%
Internet
-
- 28 annualreport.accaglobal.com 8 words — < 1%
Internet
-
- 29 www.cicp.eeg.uminho.pt 8 words — < 1%
Internet
-
- 30 link.springer.com 8 words — < 1%
Internet
-
- 31 Modell, Sven. "Making Sense of Social Practice: Theoretical Pluralism in Public Sector Accounting Research: A Comment : MAKING SENSE OF SOCIAL PRACTICE: A COMMENT", Financial Accountability and Management, 2013. 7 words — < 1%
Crossref
-
- 32 McLeod, Ross H., and Harun Harun. "Public Sector Accounting Reform at Local Government Level in Indonesia : LOCAL GOVERNMENT ACCOUNTING IN INDONESIA", Financial Accountability and Management, 2014. 6 words — < 1%
Crossref
-
- 33 Journal of Accounting & Organizational Change, Volume 8, Issue 3 (2012-09-15) 6 words — < 1%

34

Pawan Adhikari, Frode Mellemvik. "The rise and fall of accruals: a case of Nepalese central government", Journal of Accounting in Emerging Economies, 2011

Crossref

6 words — < 1%

EXCLUDE QUOTES OFF

EXCLUDE BIBLIOGRAPHY OFF

EXCLUDE MATCHES OFF